COMPANY RESULTS

RHB Bank (RHBBANK MK)

2Q25: Underpinned By Robust Non-interest Income

RHB Bank's 2Q25 results are in line, supported by strong non-interest income growth and lower provisions. PPOP rose a solid 6% qoq. We maintain BUY with a target price of RM7.55 (0.96x 2026F P/B, 10.0% ROE). The stock trades at an attractive 0.82x P/B, well below the sector average of 1.10x, despite a comparable 10% ROE. Dividend yield remains strong at 7%, supported by a robust CET1 ratio of 16%

RESULTS

- **In line.** RHB Bank posted 2Q25 net profit of RM804m (+11.2% yoy, +7.1% qoq), lifting 1H25 earnings to RM1,553.5m (+7% yoy). Results are in line, at 49%/48% of our/consensus full-year estimates respectively. 1H25 earnings growth was driven by a 24% yoy rise in non-interest income (stronger forex) and lower provisions (-45% yoy), with net credit cost normalising to 18bps (vs 32bps in 1H24 on lumpy Thai and Cambodian provisions). Offsetting factors included negative operating JAWS and a 5bp NIM compression.
- **2Q25 earnings rose 11% yoy,** driven by strong non-interest income (+42% yoy from robust forex gains) and lower net credit cost of 19bps (vs 25bps in 2Q24) on higher recoveries. This was partly offset by negative operating JAWS and a 9bp NIM compression
- **2Q25 earnings rose 7% qoq**, lifted by a 64% surge in non-interest income from strong trading (+95%) and forex gains (+117%), alongside positive JAWS. This was partly offset by a slight uptick in net credit cost to 19bps (1Q25: 17bps) from additional pre-emptive provisions against the potential US tariff risk. Robust revenue and operating JAWS lifted PPOP by 6% qoq.
- **NIM edged downwards.** Group NIM slipped 3bps to 1.81% in 2Q25, dragged by lower SORA rates in Singapore and softer yields on USD interbank lending as markets priced in Fed cuts. Management expects deposit repricing to partly offset July's OPR cut. We maintain our 2025 NIM compression forecast of 3bps, vs. management's 3–6bps compression guidance.
- **Loans growth remains steady**. RHB reported 1H25 loan growth of 5.9%, driven by above-industry domestic growth of 7.8%. Key contributors were mortgages (+8.2% yoy), auto loans (+10.2%), corporate loans (+11.4%), and commercial banking (+18.7%), while SME growth was flattish. We maintain our 2025 loan growth forecast at 5.5%, within management's 5–6% guidance.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net interest income	3,560	3,869	4,109	4,510	4,910
Non-interest income	1,844	2,560	2,642	2,763	2,890
Net profit (rep./act.)	2,806	3,120	3,187	3,372	3,587
Net profit (adj.)	2,806	3,120	3,187	3,372	3,587
EPS (sen)	70.0	71.4	72.9	77.1	82.0
PE (x)	9.5	9.3	9.1	8.6	8.1
P/B (x)	0.9	0.9	0.9	0.9	0.8
Dividend yield (%)	6.0	6.4	7.1	7.6	8.0
Net int margin (%)	1.90	1.82	1.79	1.79	1.78
Cost/income (%)	47.5	46.7	48.7	49.0	48.9
Loan loss cover (%)	71.7	78.6	85.6	92.0	97.8
Consensus net profit	-	-	3,290	3,454	3,660
UOBKH/Consensus (x)	-	-	0.97	0.98	0.98

Source: RHB Bank, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM6.67
Target Price	RM7.55
Upside	+15.8%

COMPANY DESCRIPTION

Fifth largest fully integrated financial services groups in Malaysia by total assets size. Provides universal banking services to customers.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	RHBBANK MK
Shares issued (m):	4,361.9
Market cap (RMm):	28,439.7
Market cap (US$m):	6,773.3
3-mth avg daily t'over (US$m):	11.3

Price Performance (%)

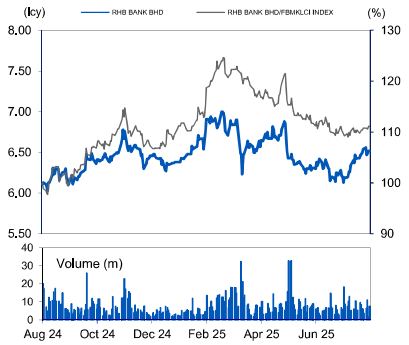
52-week high/low RM7.04/RM5.91

1mth	3mth	6mth	1yr	YTD
3.8	(2.2)	(5.6)	5.8	0.6

Major Shareholders	%
EPF	37.9
OSK Holdings	10.3

FY25 NAV/Share (RM)	7.36
FY25 CAR Tier-1 (%)	17.44

PRICE CHART



Source: Bloomberg

ANALYST(S)

Keith Wee Teck Keong
+603 2147 1981
keithwee@uobkayhian.com

- **Non-interest income stage a strong comeback.** As highlighted earlier, the group's decision to defer FVOCI gains in 1Q25 proved strategic. The sharper bond yield decline in 2Q25 created greater opportunities to realise far larger gains in 2Q25, and drove a strong rebound in non-interest income (+64% qoq, +42% yoy). 2Q25 FVOCI unrealised reserves gains surged 125% qoq to RM893m, equivalent to 7x the gains realised in 1H25, providing ample headroom to sustain 2Q25's strong non-interest income growth momentum.
- **GIL ratio stable.** Group GIL ratio was stable, rising just 1bp qoq to 1.51% in 2Q25. Asset quality improvement in Singapore was offset by a slight uptick in domestic GIL to 1.27% (1Q25: 1.22%), mainly from SME and commercial (single lumpy account) portfolio, while consumer and corporate remained stable. Overall group delinquency rates were steady. Additional pre-emptive provisions lifted LLC to 77% (similar to pre-COVID-19 levels), while inclusive of regulatory reserves, LLC stood at a healthy 117%
- **Net credit cost tracking expectations.** Net credit cost rose 2bps qoq to 19bps in 2Q25, reflecting an additional RM35m in pre-emptive provisions to buffer against potential US tariff shocks. In total, RM76m has been set aside for this purpose. 1H25 net credit cost came in at 18bps (vs 32bps in 1H24 on higher Thai and Cambodian provisions), well within management's 15–20bps guidance. We retain our more conservative 20bps assumption
- **Outlook.** 2025 key guidance are as follows: a) Loans growth: 5%-6%, b) net credit cost: 15-20bp, c) ROE: 10.4%-10.8%, d) GIL ratio of 1.40%-1.50%, e) CIR: less than 45.5%-46.0% and f) NIM: 1.80%-1.83%.
- **Stronger 2H25 expected.** Management expects ROE momentum to strengthen in 2H25, supported by: a) stronger NOII from stronger FVOCI gains and wealth management, b) deposit repricing post-OPR cuts driving NIM recovery, and c) potential recoveries from domestic SMEs and ECL writebacks in Cambodia Management believes these levers, together with adequate management overlays, will help the group navigate US tariff uncertainties in 2H25.

KEY ASSUMPTIONS

(%)	2025F	2026F	2027F
Loan Growth	5.5	6.0	6.0
Credit Cost (bps)	20.0	20.0	20.0
ROE	9.5	10.0	10.3

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

- **Environmental**
  - **Green loan commitment•** RM3.3b extended as at Jun 21 of which 20% is for renewable energy projects. Targeting RM5b Green Financing Commitment by 2025
  - **Zero new coal financing.** With effect from 2022, RHB will not be pursuing opportunities or provide financing for any new thermal coal mine projects and coal fired power plant projects
- **Social**
  - **Board and upper management gender diversity.** Maintained 30% female directors on the Board and 26.1% for top and senior management as at Jun 21
  - **Scholarship for underprivileged children.** > RM2m allocated for RHB X-Cel programme to assist B40 (underprivileged) students achieve academic excellence - benefitting more than 1,400 B40 students annually
- **Governance**
  - **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 60 % as at 15 Mar 21, from 55% as at 16 Mar 20.

Source: UOB Kay Hian

EARNINGS REVISION/RISK

- No changes to our earnings forecasts.

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of RM7.55 (0.96x 2026F P/B, 10.0% ROE).** With valuations now at an attractive 0.82x P/BV - well below the sector average of 1.10x - despite a comparable ROE of 10%, we see a compelling re-entry opportunity. Its dividend yield remains strong at 7%, backed by robust CET1 ratio of 16%.

2Q25 RESULTS

Profit & Loss (RMm)	2Q25	2Q24	yoy % chg	1H25	yoy % chg	Remarks
Net Interest Income	953.0	989.4	(3.7)	1,922.8	0.4	
Islamic Banking	345.2	519.4	(33.5)	902.7	(23.3)	
Fees & Commissions	232.4	246.6	(5.8)	455.5	(6.5)	
Net Trading Income	160.6	178.2	(9.9)	242.8	(39.2)	
Other Operating Income	463.8	178.3	160.1	678.8	207.3	
Total Income	2,155.0	2,111.9	2.0	4,202.6	0.1	
Operating Expenses	(1,015.5)	(987.0)	2.9	(1,986.2)	2.1	
PPOP	1,139.5	1,125.0	1.3	2,216.4	(1.7)	
Provision on loans	(89.4)	(145.0)	(38.3)	(195.2)	(45.8)	
PBT	1,050.0	980.0	7.1	2,021.2	6.7	
Net Profit	803.5	722.3	11.2	1,553.5	7.0	
EPS (sen)	20.0	18.0	11.2	38.7	7.0	
DPS (sen)	15.0	15.0	0.0	15.0	0.0	
BVPS (RM)	7.66	7.27	5.4	7.66	5.4	
Financial Ratios (%)	**2Q25**	**2Q24**	**yoy chg (ppt)**	**1Q25**	**qoq chg (ppt)**	
NIM	1.81	1.90	(0.09)	1.84	(0.03)	
Loan Growth, yoy	0.9	1.3	(0.4)	0.6	0.4	
Deposit Growth, yoy	1.0	(1.1)	2.0	(0.4)	1.4	
Loan/Deposit Ratio	95.1	93.6	1.4	95.1	(0.0)	
Cost/Income Ratio	47.1	46.7	0.4	47.4	(0.3)	
ROE	9.8	9.1	0.7	9.3	0.5	
NPL Ratio	1.5	1.8	(0.3)	1.5	0.0	
Credit Costs (bp)	19.0	25.4	(0.06)	17.0	2.0	
Loan Loss Cov	77.5	70.4	7.1	76.9	0.6	
CET-1 CAR	15.9	16.5	(0.6)	16.0	(0.1)	

Source: RHBBANK, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Interest income	10,134	8,719	9,475	10,267
Interest expense	(6,265)	(4,609)	(4,965)	(5,357)
Net interest income	3,869	4,109	4,510	4,910
Fees & commissions	976	1,044	1,097	1,151
Net Trading Income	1,088	1,077	1,121	1,165
Other income	495	520	546	573
Income from islamic banking	2,176	2,241	2,308	2,378
Total income	**8,605**	**8,992**	**9,581**	**10,178**
Staff costs	(2,424)	(2,739)	(3,013)	(3,254)
Other operating expense	(1,598)	(1,639)	(1,681)	(1,724)
Pre-provision profit	4,583	4,615	4,888	5,201
Loan loss provision	(535)	(509)	(544)	(582)
Other provisions	(2)	0	1	2
Associated companies	(26)	0	0	0
Other non-operating income	0	0	0	0
Pre-tax profit	4,020	4,106	4,345	4,620
Tax	(896)	(915)	(968)	(1,030)
Minorities	(4)	(4)	(4)	(4)
Net profit	**3,120**	**3,187**	**3,372**	**3,587**
Net profit (adj.)	3,120	3,187	3,372	3,587

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Cash with central bank	3,830	3,503	3,790	4,097
Govt treasury bills & securities	87,589	95,312	103,725	112,890
Interbank loans	811	892	982	1,080
Customer loans	234,968	251,246	268,663	287,294
Investment securities	0	0	0	0
Derivative receivables	2,748	2,640	2,531	2,423
Associates & JVs	75	75	75	75
Fixed assets (incl. prop.)	1,160	1,180	1,201	1,223
Other assets	18,734	19,859	21,131	22,630
Total assets	**349,915**	**374,707**	**402,097**	**431,710**
Interbank deposits	27,205	29,381	31,732	34,270
Customer deposits	249,565	264,539	280,412	297,236
Derivative payables	262	272	283	294
Debt equivalents	6,574	6,574	6,574	6,574
Other liabilities	33,777	40,472	48,897	58,357
Total liabilities	**317,383**	**341,239**	**367,897**	**396,732**
Shareholders' funds	32,492	33,424	34,152	34,925
Minority interest - accumulated	39	44	48	52
Total equity & liabilities	**349,915**	**374,707**	**402,097**	**431,710**

OPERATING RATIOS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	16.4	17.1	16.4	15.6
Total CAR	19.0	19.5	18.6	17.7
Total assets/equity (x)	10.8	11.2	11.8	12.4
Tangible assets/tangible common equity (x)	11.9	12.4	13.0	13.6
Asset Quality				
NPL ratio	1.5	1.4	1.4	1.4
Loan loss coverage	78.6	85.6	92.0	97.8
Loan loss reserve/gross loans	1.2	1.2	1.3	1.3
Increase in NPLs	(10.1)	3.8	4.8	5.4
Credit cost (bp)	22.5	20.0	20.0	20.0
Liquidity				
Loan/deposit ratio	94.2	95.0	95.8	96.7
Liquid assets/short-term liabilities	33.3	33.9	34.7	35.6
Liquid assets/total assets	26.4	26.6	27.0	27.3

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net interest income, yoy chg	8.7	6.2	9.7	9.7
Fees & commissions, yoy chg	12.7	7.0	5.0	5.0
Pre-provision profit, yoy chg	12.3	0.7	5.9	5.9
Net profit, yoy chg	11.2	2.1	5.8	5.8
Net profit (adj.), yoy chg	11.2	2.1	5.8	6.3
Customer loans, yoy chg	7.0	6.9	6.9	6.9
Customer deposits, yoy chg	1.8	6.0	6.0	6.0
Profitability				
Net interest margin	1.82	1.79	1.79	1.78
Cost/income ratio	46.7	48.7	49.0	48.9
Adjusted ROA	1.0	1.0	0.9	0.9
Reported ROE	9.8	9.5	9.9	10.3
Adjusted ROE	9.8	9.5	9.9	10.3
Valuation				
P/BV (x)	0.9	0.9	0.8	0.8
P/NTA (x)	1.0	1.0	0.9	0.9
Adjusted P/E (x)	9.1	8.9	8.5	7.9
Dividend Yield	6.6	7.3	7.7	8.2
Payout ratio	60.3	65.4	65.4	65.4

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK has provided investment banking services to the listed corporation covered in this report and has received compensation for such services in the preceding 12 months. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note:(i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore.Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2025, UOB Kay Hian Pte Ltd. All rights reserved.

http://research.uobkayhian.com

RCB Regn. No. 197000447W